

Message Text

UNCLASSIFIED

PAGE 01 SANTIA 02372 022244Z

70

ACTION ARA-20

INFO OCT-01 ISO-00 CIAE-00 COME-00 EB-11 INR-10 LAB-06

NSAE-00 RSC-01 SIL-01 PRS-01 PER-05 ABF-01 FSE-00

PA-04 USIA-15 TRSE-00 OMB-01 DRC-01 /078 W

----- 013631

R 022207Z MAY 74

FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC 8426

UNCLAS SANTIAGO 2372

E.O. 11652: N/A

TAGS: ECON, ELAB, CI

SUBJ: WAGE READJUSTMENT

REF: SANTIAGO A-11; SANTIAGO 6236

1. BEGIN SUMMARY: IN MAY 1 LABOR DAY SPEECH JUNTA PRESIDENT PINOCHET ANNOUNCED SALARY AND BONUS READJUSTMENTS EFFECTIVE THAT DATE. SALARIES AND PENSIONS AT LOWER END OF THE SCALE WERE INCREASED IN THE RANGE OF 55-75 PERCENT. THOSE IN MIDDLE AND UPPER RANGE WILL RECEIVE 30 PERCENT INCREASE. IN ADDITION, SHARP RISES WERE DECREED IN ALLOWANCES FOR FAMILY ASSISTANCE, TRANSPORTATION, AND LUNCHES. THIS WILL HAVE MAJOR IMPACT ON CHILEAN INCOME STRUCTURE. ON BALANCE, RECENT READJUSTMENT JUST ABOUT RESTORES REAL INCOME AT LOWEST END OF SCALE TO JANUARY 1, 1974, LEVEL. OTHERS ARE RECEIVING LESS THAN CPI INCREASES (62.2 PERCENT) IN PAST QUARTER OF YEAR. NEVERTHELESS, ADJUSTMENT WILL UNDOUBTEDLY BRING ANOTHER ROUND OF HIGHER PRICES AS PRODUCERS, WHOLESALERS AND RETAILERS TRY TO PASS TO CONSUMER INCREASED LABOR COSTS. END SUMMARY.

2. IN HIS LABOR DAY SPEECH, JUNTA PRESIDENT PINOCHET SPELLED OUT THE LATEST WAGE, SALARY AND PENSION READJUSTMENT EFFECTIVE MAY 1. SEPARATE ADJUSTMENTS WERE MADE FOR PUBLIC, PRIVATE, AND PENSIONER SECTORS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 SANTIA 02372 022244Z

3. FOLLOWING PROVISIONS APPLY TO WORKERS IN PUBLIC SECTOR ON

PER-MONTH BASIS:

(A) MINIMUM WAGE IS INCREASED FROM E16,000 TO E25,000 (56.2 PERCENT).

(B) INCREASES FOR THOSE EARNING MORE THAN MINIMUM WAGE IS 30 PERCENT OF BASE SALARY, BUT NOT LESS THAN E9,000.

(C) ALLOWANCE FOR DEPENDENTS (ASIGNACION FAMILIAR) WILL BE INCREASED FROM E1,800 TO E4,000 PER DEPENDENT (122 PERCENT).

(D) ALLOWANCE FOR LUNCHES (ASIGNACION DE COLACION) IS INCREASED FROM E3,200 TO E5,200 (64 PERCENT).

(E) ALLOWANCE FOR TRANSPORTATION (ASIGNACION DE MOVILIZACION) IS INCREASED FROM E1,700 TO E5,000 (122.2 PERCENT). THIS IS DESIGNED TO DEFRAY TRANSPORTATION COSTS FOR WAGE EARNER'S FAMILY AS WELL AS FOR HIMSELF. IT ALSO ANTICIPATES INCREASE IN TRANSPORTATION FARES WHICH IS BEING HELD BACK UNTIL THE FIRST BONUS PAYMENT HAS BEEN MADE.

(F) CERTAIN CHANGES WILL BE MADE IN CIVIL SERVICE SALARY SCHEDULE (ESCALA UNICA), TO COMPENSATE FOR CERTAIN DISTORTIONS WHICH HAVE DEVELOPED. PRINCIPAL CHANGE WILL AFFECT TEACHERS, WHO WILL BE MOVED UP TWO GRADES ON SCHEDULE. (REPAIR GIVES ORIGINAL SCHEDULE.)

4. FOLLOWING PROVISIONS APPLY PRIVATE SECTOR WORKERS, ALSO ON MONTHLY BASIS:

(A) BASIC MINIMUM WAGE (BEFORE ANY BONUSES ARE PAID) IS INCREASED FROM E18,000 TO E29,000 (62 PERCENT).

(B) WORKERS RECEIVING MORE THAN THE MINIMUM WAGE WILL HAVE AN INCREASE OF 30 PERCENT, BUT NOT LESS THAN E11,000.

(C) ALLOWANCE FOR DEPENDENTS IS INCREASED FROM E1,800 TO E4,000 (122 PERCENT).

(D) TRANSPORTATION ALLOWANCE IS INCREASED FROM E1,700 TO UNCLASSIFIED

UNCLASSIFIED

PAGE 03 SANTIA 02372 022244Z

E5,000 (1941 PERCENT).

(E) MINIMUM WAGE FOR FARM WORKERS IS NOW E29,000, 50 PERCENT OF WHICH MAY BE PAID IN KIND, GENERALLY FOODSTUFFS; FAMILY ALLOWANCE IS E4,000.

(F) WAGES FOR DOMESTIC SERVANTS REMAIN DETERMINED BY CONTRACT BETWEEN EMPLOYER AND EMPLOYEE, BUT AMOUNT SUBJECT TO SOCIAL SECURITY

TAXATION MUST BE AT LEAST E15,000.

5. FOLLOWING PROVISIONS APPLY TO PENSIONERS:

(A) MINIMUM PENSIONS ARE INCREASED BY 75 PERCENT.

(B) OTHER PENSIONS ARE IN GENERAL SUBJECT TO 30 PERCENT INCREASES. (FYI: THE PENSION PROVISIONS OF READJUSTMENT ARE COMPLICATED, AND WHOLE SOCIAL SECURITY SYSTEM IS BEING STUDIED WITH VIEW TO ITS REVISION AND SIMPLIFICATION.)

6. SALARY INCREASES TAKE EFFECT ON MAY 1; THE NEW BONUSES TAKE EFFECT MAY 10.

7. COMMENT: READJUSTMENT CONTINUES TENDENCY TOWARD INCOME REDISTRIBUTION IN FAVOR OF LOWER INCOME GROUPS, WHICH HAS BEEN NOTED IN PREVIOUS JUNTA ACTIONS. PUBLIC SECTOR EMPLOYEE RECEIVING MINIMUM WAGE AND SUPPORTING THREE DEPENDENTS EXPERIENCES AN INCREASE FROM E26,000 TO E47,200 WHEN ALL ALLOWANCES ARE INCLUDED, FOR AN INCREASE OF 79.5 PERCENT. WORKER IN PRIVATE SECTOR RECEIVING MINIMUM WAGE AND ALLOWANCES (ASSUMING THREE DEPENDENTS) MOVES FROM E25,100 TO E46,000 (83.3 PERCENT). CPI ROSE 62.2 PERCENT BETWEEN JANUARY 1-MARCH 31, AND ALTHOUGH APRIL AND MAY WILL ADD FURTHER SIGNIFICANT INFLATION, IT APPEARS THAT WORKERS AT LOWER END OF SCALE WILL RETAIN APPROXIMATELY THEIR JANUARY 1 REAL WAGE AT END OF MAY. FOR REMAINING WORKERS, READJUSTMENT OF 30 PERCENT PLUS ALLOWANCE INCREASES WILL NOT NEARLY RESTORE DECLINE IN REAL INCOME SINCE JANUARY. NEVERTHELESS, ADJUSTMENT CAN BE EXPECTED TO ADD ANOTHER PUSH TO INFLATION AS PRIVATE AND PUBLIC SECTOR FIRMS TRY TO PASS ON HIGHER LABOR COSTS.
POPPER

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, COLLECTIVE BARGAINING, JUNTA, PRIVATE ENTERPRISE, DATA, INFLATION, SPEECHES, LABOR DAY, PRICE TRENDS, EARNINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 MAY 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974SANTIA02372
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740106-0119
From: SANTIAGO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740579/aaaacter.tel
Line Count: 146
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION ARA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: SANTIAGO A-11; SANTIAGO 6236
Review Action: RELEASED, APPROVED
Review Authority: kellerpr
Review Comment: n/a
Review Content Flags:
Review Date: 18 OCT 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <18 OCT 2002 by MorefiRH>; APPROVED <02 JAN 2003 by kellerpr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: WAGE READJUSTMENT
TAGS: ECON, ELAB, CI, (PINOCHET)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005